

Volume No. 1—Policies & Procedures	<b>TOPIC NO.</b>	<b>50420</b>
Function No. 50000—Payroll Accounting	<b>TOPIC</b>	<b>RETIREMENT CASH MATCH PLANS</b>
Section No. 50400—Deductions	<b>DATE</b>	October 2004

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## Overview

### Introduction

An employer-paid cash match is provided under *Code of Virginia* section 51.1-609 and the Appropriation Act for eligible employees who participate in the Deferred Compensation Plan (DCP) or 403(b), tax-sheltered annuity, (TSA). The cash match for DCP participants is administered under the Virginia Cash Match plan by VRS. Institutions of higher education or other educational agencies with qualifying TSA participants individually administer their own cash match plans.

Agencies must establish employer-paid payroll deductions to ensure cash match contributions for employees contributing to:

- The DCP are sent to the DCP trustee.
- A TSA are sent to the employee's participating 403(b) provider through the miscellaneous deduction TPA (see CAPP Topic 50415, *Retirement – Salary Reduction Plans*, for information on the TPA).

## Legal Requirements Governing the TSA Cash Match

### TSA Cash Match Plan - Agency Legal Requirements

Legal requirements governing cash match plans are complex. Under the cash match plan for employees who participate in the DCP, VRS has ensured these requirements have been met. However, agencies with eligible TSA participants are individually responsible for ensuring the legal requirements are met. These requirements include, but may not be limited to:

- Prepare a plan document
- Procure, negotiate and execute trust agreements
- Prepare and distribute administrative forms to participants
- Prepare and distribute plan summaries to participants
- Submit Determination Letter Application to the IRS.

**Note:** In executing these requirements, agencies should consult their agency legal counsel.

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## Eligibility Rules

### Deferred Compensation Cash Match Program Rules

*All salaried employees* are eligible to receive cash match contributions on paydays in which they receive a salaried paycheck, and make contributions to the DCP (Deduction 038).

The current FY05 cash match amount for the Commonwealth is typically 50% of the employees contribution made to the DCP up to \$20/per semi-monthly payday (amount subject to appropriations).

*Accelerated or catch-up contributions are generally not permitted.  
Exceptions for Deferred Compensation cash match must be approved by VRS.*

### TSA Cash Match Plan - Program Rules

A TSA cash match can only be provided for employees who make a 403(b) contribution to a 403(b) provider who participates in the agency's cash match plan (Deduction 039).

The current FY05 cash match amount for the Commonwealth is 50% of the employees contribution made to a participating 403(b) provider, up to \$20/per semi-monthly payday (amount subject to appropriations). Only amounts contributed to participating providers are included in applying the 50% rule above.

Agencies accelerating TSA cash match contributions under an agency TSA cash match plan must comply with their plan rules, subject to the \$50 per pay period maximum established by the *Code Section 51.1-609*.

An employee's cash match contribution **cannot** be split between providers. Eligible employees with multiple 403(b) providers must designate a single cash match provider using a Cash Match Agreement form, even if only one provider participates in the cash match plan.

Accelerated or catch-up contributions are generally not permitted. Exceptions for an agency TSA cash match are determined by the individual agency plan.

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## Eligibility Rules, Continued

### Compliance Monitoring

Agency compliance monitoring is facilitated through use of the semi-monthly Reports U142 and U143. Agencies must review their cash match deductions and the report to ensure pay period and annual limits are not exceeded.

## CIPPS Deduction Data Entry

### CIPPS Deductions and Edits

The following CIPPS deductions have been established to process employer-paid cash match contributions:

<b>CIPPS Ded #</b>	<b>Purpose</b>	<b>CIPPS Description</b>
045	Cash Match for Deferred Compensation	DC MATCH
046	Cash Match for TSA	AN MATCH

Edits have been established to ensure that the corresponding employee contribution CIPPS deductions 038 (deferred compensation) and 039 (TSA) are active before allowing a cash match deduction to be established. Similarly, when the employee deduction is deactivated, the corresponding cash match deduction is automatically deactivated.

### Online Data Entry

Access the Employee Deductions screen (H0ZDC) as instructed in CAPP Topic No. 50110, *CIPPS Navigation*.

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## CIPPS Deduction Data Entry, Continued

<b>NO</b> <b>(Required)</b>	Enter deduction number 045 (DC MATCH) or 046 (AN MATCH).
<b>NAME</b>	Do not enter. The system will display the corresponding deduction name after the information is entered into the system.
<b>AMT/PCT</b> <b>(Required)</b>	Enter the dollar amount, to two decimal places, to be withheld each pay period.
<b>GOAL</b>	May be used to ensure the cash match amount does not exceed policy limitations.
<b>UTILITY</b>	Do not enter. Not used in cash match deduction processing.
<b>CALC</b>	Do not enter. This field indicates the type of calculation to be performed. This field is displayed by the system.
<b>GN</b>	Do not enter. This field indicates whether this deduction is withheld before or after taxes, or not at all. This field will be displayed by the system.
<b>FR</b> <b>(Required)</b>	Enter “09” for the deduction frequency, indicating that the deduction will be taken every pay period.

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## CIPPS Deduction Data Entry, Continued

<b><i>PTY</i></b>	Do not enter. Not used at this time.
<b><i>START DATE</i></b>	Enter the top of the period in which you want the deduction to start (to be used in conjunction with the END DATE field.)
<b><i>END DATE</i></b>	Enter the end of the period in which the deduction is to stop. (see note above)
<b><i>DED MTD and YTD</i></b>	Do not enter. Automatically updates each time the deduction is taken.

## Internal Control

<b>Internal Control</b>	Report 906 has been retooled to provide a listing of potential exceptions for the cash match. For those employees who have either an active Deferred Compensation deduction or an active Annuity deduction or both, the corresponding cash match deductions are examined. If an employee does not have an active cash match deduction or has an active cash match deduction with no year-to-date amount, the employee will be reported. Agencies must verify the accuracy of the Cash Match deduction amounts and make any necessary changes to the amounts to be in compliance with the rules of the Cash Match program. Request this report for your agency using the HSRUT screen.
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## Records Retention

<b>Time Period</b>	All enrollment information and reports should be retained for five years or until audited, whichever is later. The retention of related agency source documents/records is determined by agency policy.
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## Contacts

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## Subject Cross References

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**References**        CAPP Topic No. 50110, *CIPPS Navigation*  
CAPP Topic No. 50415, *Retirement – Salary Reduction Plans*

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